Tax Tips for Tax Year 2012
(Issued February 2013)

Tax Tip 1

WHAT'S NEW FOR 2012?

The following changes are discussed in more detail in Publication 17, *Your Federal Income Tax For Individuals*, and the Instructions for Form 1040.

Exemption Amount: The amount you can deduct for each exemption has increased. It was $3,700 for 2011. It is $3,800 for 2012.

Standard Deduction Amount: The standard deduction for some taxpayers who do not itemize their deductions on Schedule A of Form 1040 is higher for 2012. The amount depends on your filing status, whether you are 65 or older or blind, and whether an exemption can be claimed for you by another taxpayer. The basic standard deduction amounts for 2012 are: Head of Household — $8,700; Married Filing Jointly - $11,900; Qualifying Widow(er)s — $11,900; Married Filing Separately - $5,950; and Single — $5,950.

Alternative minimum tax (AMT): The tax laws provide tax benefits for certain kinds of income and allow special deductions and credits for certain kinds of expenses. The alternative minimum tax (AMT) attempts to ensure that anyone who benefits from these tax advantages pays at least a minimum amount of tax. The AMT is a separately figured tax that eliminates many deductions and credits, thus increasing tax liability for an individual who would otherwise pay less tax. The tentative minimum tax rates on ordinary income are percentages set by law. For capital gains and certain dividends, the rates in effect for the regular tax are used. You may have to pay the AMT if your taxable income for regular tax purposes plus any adjustments and preference items that apply to you are more than the AMT exemption amount. **For 2012, the AMT exemption amount is increased** to $50,600 for single and head of household taxpayers; $78,750 if married filing jointly or a qualifying widow(er); and $39,375 if married filing separately.

Reporting capital gains and losses on new Form 8949: In most cases, you must report your capital gains and losses on Form 8949. Then you report certain totals from that form on Schedule D (Form 1040).

Foreign financial assets: If you had foreign financial assets in 2012, you may have to file Form 8938 with your return. Check http://www.irs.gov/pub/irs-pdf/f8938.pdf for details.

Foreign Earned Income: The maximum foreign earned income exclusion amount available on Form 2555 or Form 2555-EZ has increased to $95,100 for 2012. For the housing exclusion and/or deduction, refer to Publication 54 and Form 2555 Instructions.
Note: If you claim the foreign earned income exclusion or the foreign housing exclusion on Form 2555 or Form 2555-EZ, you must figure your tax using the *Foreign Earned Income Tax Worksheet* to figure the amount to enter on Form 1040, line 44. If you are required to attach Form 6251 to your tax return, use the *Foreign Earned Income Tax Worksheet* provided in the Instructions for Form 6251.

Tax Tip 2

FILING REQUIREMENTS TAX YEAR 2012

If you are a U.S. citizen or resident alien, the rules for filing income, estate, and gift tax returns and for paying estimated tax are generally the same whether you are in the United States or abroad**.**

Your type and amount of income, filing status, and age determine whether you must file a U.S. income tax return. Generally, you must file a return if your gross income from worldwide sources (excluding U.S. social security benefits) is at least:

If your filing status is:	AND at the end of 2011 you were:	THEN file if your gross income was at least:
Single	under 65	$ 9,750
	65 or older	$11,200
Married Filing Jointly	under 65 (both spouses)	$19,500
	65 or older (one spouse)	$20,650
	65 or older (both spouses)	$21,800
Married Filing Separately	any age	$ 3,800
Head of Household	under 65	$12,500
	65 or older	$13,950
Qualifying Widow(er) with dependent child	under 65	$15,700
	65 or older	$16,850

Please refer to the Form 1040 Instructions for further information.

Tax Tip 3

TAX ASSISTANCE

The Internal Revenue Service provides tax assistance through a regional office located at the U.S. Embassy in Paris, France.

Phone:	+33 (0)1 43 12 25 55 Monday- Friday, 9:00 am-12:00 pm and 1:30 pm- 3:30 pm Closed French and American holidays
Fax:	+33 (0)1 43 12 23 03
Email:	irs.paris@irs.gov
Mail:	U.S. Embassy – Internal Revenue Service 2, Avenue Gabriel 75382 Paris Cedex 08 France
Walk-In Assistance:	U.S. Embassy 2, Avenue Gabriel 75008 Paris France Monday-Friday, 9:00 am-12:00 pm Closed French and American holidays

Tax assistance can also be obtained by contacting the main International Customer Service Center in Philadelphia.

Phone:	+1 (267) 941-1000 Monday through Friday from 6:00 am - 11:00 pm Eastern Standard Time
Fax:	+1 (267) 941-1055

Email: http://www.irs.gov/uac/Help-With-Tax-Questions---International-Taxpayers

Tax Tip 4

ELECTRONIC FILING

Everyone can e-file, and everyone can e-file Individual tax returns for free

Last year, nearly 100 million taxpayers opted for the safest, fastest and easiest way to submit their individual tax returns — IRS e-file. Since 1990, taxpayers have e-filed nearly 1 billion Form 1040 series tax returns safely and securely. E-file is the norm. And now, with Free File, everyone can file Form 1040 series tax returns for free!

e-file with Free File

If your income is $57,000 or less, let Free File brand-name software do the hard work for you with free tax preparation and free e-filing. It's available only through IRS.gov, where a number of tax software companies make their products available for free. Some also support state tax returns for free. Go to Free File to take advantage of this option

e-file with Free File Fillable Forms

Regardless of income, everyone can use online Fillable Forms, which are an electronic version of the IRS paper forms. This option is best for people who are comfortable preparing their tax returns but want the advantages of fast, secure and free e-filing. Fillable forms do only basic math and do not support state tax returns.

e-file with commercial tax software

Do it yourself. Buy tax preparation software either over-the-counter or online, prepare your own return and press send to e-file. Your return is sent through safe and secure channels, not via e-mail. Prices do vary, so shop around (or use Free File).

e-file through a paid tax preparer

Find a tax professional you trust to prepare and e-file your return. Nearly all tax preparers use e-file now and many are now required by law to e-file. But it's still a good idea to tell your tax preparer you want the advantages of e-file — your refund in half the time, or if you owe, more payment options. Use our tax professional locator to find an e-file provider near you.

Tax Tip 5 OPTIONS: HOW TO OBTAIN YOUR REFUND

Taxpayers have three options for receiving their individual federal income tax refund:

- direct deposit (electronic funds transfer) into a checking or savings account, including an individual retirement arrangement (IRA);
- purchase of U.S. Series I Savings Bonds; or
- paper check.

If you choose to receive your refund by direct deposit, you can request that the refund be deposited in up to three separate accounts, such as checking, savings, or retirement accounts – just complete Form 8888 (PDF), Allocation of Refund Your refund should only be deposited directly into accounts that are in your own name, your spouse's name or both if it's a joint account.

If you file a correct tax return, your refund should be issued within 21 days of the received date. Use Where's My Refund? to get your refund status. Go to IRS.gov. It is available 24 hours a day, 7 days a week. You can start checking on the status of your return within 24 hours after we have received your e-filed return or 4 weeks after you mail a paper return. Have your 2012 tax return handy so you can provide your social security number, your filing status and the exact whole dollar amount of your refund shown on your return.

If you do not have Internet access, you may call the Refund Hotline at 800-829-1954. Where's My Refund?

Where's My Refund? has a new look this year! The tool includes a tracker that displays progress through 3 stages: (1) Return Received, (2) Refund Approved and (3) Refund Sent. Where's My Refund? will provide an actual personalized refund date as soon as the IRS processes your tax return and approves your refund.

Where's My Refund? provides the most accurate and complete information we have so there's no need to call unless the tool tells you to. Updates to refund status are made no more than once a day - usually at night.

Refunds from amended returns will generally be issued within 12 weeks. Injured spouse claims can take longer depending on the circumstances. Refund claims associated with an application for an Individual Taxpayer Identification Number also take additional processing time. If you receive a refund for a smaller amount than you expected, you may cash the check, and, if it is determined that you should have received more, you will later receive a check for the difference. You will also get a notice explaining the difference. Follow the instructions on the notice.

Tax Tip 6

POSTMARKS

Federal tax returns and other documents mailed to the IRS are treated as filed on the date of the domestic or foreign postmark. However, payments with foreign postmarks are not considered received until the date of actual receipt rather than the postmark date. This includes payments submitted with tax returns**.** Accordingly, you should take this into consideration when mailing a payment from outside the U.S. in order to avoid late payment penalties and interest charges.

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If you do not pay enough tax by the due date of each payment period, you may be charged a penalty even if you are due a refund when you file your income tax return at the end of the year.

If you mail your estimated tax payment and the date of the U.S. postmark is on or before the due date, the payment generally will be considered to be on time. The payment periods and due dates for estimated tax payments are shown next.

Jan 1 – Mar 31: Due date April 15
Apr 1 – May 31: Due date June 15
Jun 1 – Aug 31: Due date September 15
Sep 1 – Dec 31: Due date January 15 of the following year

- If the due date for making an estimated tax payment falls on a Saturday, Sunday, or legal holiday, the payment will be on time if you make it on the next day that is not a Saturday, Sunday, or legal holiday.
- If your tax year does not begin on January 1, see the special rules for fiscal year taxpayers in Chapter 2 of Publication 505, *Tax Withholding and Estimated Tax*.

Tax Tip 7

CAPITAL GAINS AND LOSSES

Almost everything you own and use for personal or investment purposes is a capital asset. Examples include a home, personal use items like household furnishings, and stocks or bonds held as investments. When a capital asset is sold, the difference between the basis in the asset and the amount it is sold for is a capital gain or a capital loss. Generally an asset's basis is its cost, however, if you received the asset as a gift or inheritance, refer to Topic 703 for information about your basis. You have a capital gain if you sell the asset for more than your basis. You have a capital loss if you sell the asset for less than your basis. Losses from the sale of personal-use property, such as your home or car, are not deductible.

Capital gains and losses are classified as long-term or short-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term. To determine how long you held the asset, count from the date after the day you acquired the asset up to and including the day you disposed of the asset.

Capital gains and deductible capital losses are reported on Form 1040, Schedule D (PDF), *Capital Gains and Losses*, and on Form 8949 (PDF), *Sales and other Dispositions of Capital Assets*. If you have a net capital gain, that gain may be taxed at a lower tax rate than your ordinary income tax rates. The term "net capital gain" means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss for the year. The term “net long-term capital gain” means long-term capital gains reduced by long-term capital losses including any unused long-term capital loss carried over from previous years. Generally, net capital gain is taxed at rates no higher than 15%. However, for the years 2008 through 2012, some or all net capital gain may be taxed at 0% if you are in the 10% or 15% ordinary income tax brackets.

There are three exceptions where capital gains may be taxed at rates greater than 15%:

1. The taxable part of a gain from selling Section 1202 qualified small business stock is taxed at a maximum 28% rate.
2. Net capital gains from selling collectibles (such as coins or art) are taxed at a maximum 28% rate.
3. The portion of any unrecaptured Section 1250 gain from selling Section 1250 real property is taxed at a maximum 25% rate.

Note: Net short-term capital gains are subject to taxation at your ordinary income tax rate.

If you have a taxable capital gain, you may be required to make estimated tax payments. Refer to Publication 505, *Tax Withholding and Estimated Tax*, for additional information.

If your capital losses exceed your capital gains, the amount of the excess loss that can be claimed is the lesser of $3,000, ($1,500 if you are married filing separately) or your total net loss as shown on line 16 of the Form 1040, Schedule D (PDF). If your net capital loss is more than this limit, you can carry the loss forward to later years. You may use the Capital Loss Carryover Worksheet found in either Publication 550, *Investment Income and Expenses*, or the Form 1040, Schedule D and Form 8949 Instructions, to figure the amount eligible to be carried forward.

Additional information on capital gains and losses is available in Publication 550, *Investment Income and Expenses*, and Publication 544, *Sales and Other Dispositions of Assets*. If you sell your main home, refer to Topics 701 and 703, and Publication 523, *Selling Your Home*.

Deemed Sales by Expatriates. If you give up your U.S. citizenship after June 16, 2008, you may be treated as having sold all your property for its fair market value on the day before you gave up your citizenship. This also applies to long-term U.S. residents who cease to be lawful permanent residents. For details, exceptions, and rules for reporting these deemed sales, see Publication 519 and Form 8854.

Tax Tip 8

CHILD TAX CREDIT & ADDITIONAL CHILD TAX CREDIT

The Child Tax Credit is an important tax credit that may be worth as much as $1,000 per qualifying child depending upon your income. Here are 10 important facts from the IRS about this credit and how it may benefit your family.

1. Amount - With the Child Tax Credit, you may be able to reduce your federal income tax by up to $1,000 for each qualifying child under the age of 17.

2. Qualification - A qualifying child for this credit is someone who meets the qualifying criteria of six tests: age, relationship, support, dependent, citizenship, and residence.

3. Age Test - To qualify, a child must have been under age 17 – age 16 or younger – at the end of 2010.

4. Relationship Test - To claim a child for purposes of the Child Tax Credit, they must either be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of these individuals, which includes your grandchild, niece or nephew. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

5. Support Test - In order to claim a child for this credit, the child must not have provided more than half of their own support.

6. Dependent Test - You must claim the child as a dependent on your federal tax return.

7. Citizenship Test - To meet the citizenship test, the child must be a U.S. citizen, U.S. national, or U.S. resident alien.

8. Residence Test - The child must have lived with you for more than half of 2010. There are some exceptions to the residence test, which can be found in IRS Publication 972, Child Tax Credit.

9. Limitations - The credit is limited if your modified adjusted gross income is above a certain amount. The amount at which this phase-out begins varies depending on your filing status. For married taxpayers filing a joint return, the phase-out begins at $110,000. For married taxpayers filing a separate return, it begins at $55,000. For all other taxpayers, the phase-out begins at $75,000. In addition, the Child Tax Credit is generally limited by the amount of the income tax you owe as well as any alternative minimum tax you owe.

10. Additional Child Tax Credit - If the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim the Additional Child Tax Credit.

Tax Tip 9

RENTAL INCOME AND LOSSES

You must include in income all amounts you receive as rent. Rental income and expenses are entered on Schedule E and net rental income or loss is then carried to the income section of Form 1040.

Most individuals count their rental income as income when it is actually or constructively received, and deduct their expenses as they are paid. Some examples of expenses that may be deducted from your total rental income are depreciation, repairs, and operating expenses. You can recover some or all of your original investment in the rental property (including furnishings) and the cost of capital improvements through depreciation using Form 4562.

Rental losses are subject to various limits under the passive activity and at-risk rules, and excess or non-deductible losses may be carried forward to the following tax year. See Form 8582 and Instructions.

Note that the sale of rental property does not qualify for the preferential tax treatment given to the sale of a main home.

Tax Tip 10

INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

For 2012, the maximum you can contribute to all of your traditional and Roth IRAs is the smaller of:

- $5,000 ($6,000 if you're age 50 or older), or
- your taxable compensation for the year.

For 2013, the maximum you can contribute to all of your traditional and Roth IRAs is the smaller of:

- $5,500 ($6,500 if you're age 50 or older), or
- your taxable compensation for the year.

Claiming a tax deduction for your IRA contribution

Your traditional IRA contributions may be tax-deductible. The deduction may be limited if you or your spouse is covered by a retirement plan at work and your income exceeds certain levels. See Publication 590.

Roth IRA contribution limit

The same general contribution limit applies to both Roth and traditional IRAs. However, your Roth IRA contribution might be limited based on your filing status and income. See Publication 590.

IRA contributions after age 70½

You can't make regular contributions to a traditional IRA in the year you reach 70½ and older. However, you can still contribute to a Roth IRA and make rollover contributions to a Roth or traditional IRA regardless of your age.

Spousal IRAs

If you file a joint return, you and your spouse can each make IRA contributions even if only one of you has taxable compensation. The amount of your combined contributions can't be more than the taxable compensation reported on your joint return. It doesn't matter which spouse earned the compensation.

If neither spouse participated in a retirement plan at work, all of your contributions will be deductible.

Can I contribute to an IRA if I participate in a retirement plan at work?

You can contribute to a traditional or Roth IRA whether or not you participate in another retirement plan through your employer or business. However, you might not be able to deduct all of your traditional IRA contributions if you or your spouse participates in another retirement plan at work. Roth IRA contributions might be limited if your income exceeds a certain level.

Additional Resources: Publication 590, Individual Retirement Arrangements (IRAs)

Tax Tip 11

FOREIGN EARNED INCOME EXCLUSION

If you are living and working abroad but not paid by the USG, you may be entitled to the Foreign Earned Income Exclusion. Here are five important facts from the IRS about the exclusion:

1. United States Citizens and resident aliens who live and work abroad may be able to exclude all or part of their foreign salary or wages from their income. **Note: This does not apply to salaries paid by the United States Government or any of its agencies to its employees.** For details please refer to IRS Publication 516 and 54.

2. To qualify for the foreign earned income exclusion, a U.S. citizen or resident alien must have a tax home in a foreign country and income received for working in a foreign country, otherwise known as foreign earned income. The taxpayer must meet the bona fide residence test or the physical presence test.

3. The Exclusion Amount: The foreign earned income exclusion is adjusted annually for inflation. For 2012, the maximum exclusion is up to $95,100 per qualifying person.

4. Claiming the Exclusion: The foreign earned income exclusion and the foreign housing exclusion or deductions are claimed using Form 2555, Foreign Earned Income, which should be attached to the taxpayer's Form 1040. A shorter Form 2555-EZ, Foreign Earned Income Exclusion, is available to certain taxpayers claiming only the foreign income exclusion.

5. Taking Other Credits or Deductions: Once the foreign earned income exclusion is chosen, a foreign tax credit or deduction for taxes cannot be claimed on the excluded income. If a foreign tax credit or tax deduction is taken on any of the excluded income, the foreign earned income exclusion will be considered revoked.

Note: The term "Foreign Earned Income" does not include any amounts paid by the United States or any of its agencies to its employees. This includes amounts paid from both appropriated and nonappropriated funds. See Publication 54 for full information.

Note: If you claim the foreign earned income exclusion or the foreign housing exclusion on Form 2555 or Form 2555-EZ, you must figure your tax using the *Foreign Earned Income Tax Worksheet* to figure the amount to enter on Form 1040, line 44. If you are required to attach Form 6251 to your tax return, use the *Foreign Earned Income Tax Worksheet* provided in the Instructions for Form 6251.

Tax Tip 12

FOREIGN TAX CREDIT

Foreign tax credits allow US taxpayers to avoid or reduce double taxation. You may choose to take a deduction for foreign taxes paid instead of choosing a credit. In most cases, it is to your advantage to take foreign income taxes as a tax credit.

Qualifying Foreign Taxes

You can claim a credit only for foreign taxes that are imposed on you by a foreign country or US possession. Generally, only income, war profits and excess profits taxes qualify for the credit.

What Foreign Taxes Qualify For The Foreign Tax Credit?

The following four tests must be met for a foreign income tax to qualify for the credit:

1. The tax must be imposed on you
2. You must have paid or accrued the tax
3. The tax must be the legal and actual foreign tax liability
4. The tax must be an income tax (or a tax in lieu of an income tax)

How to Claim the Foreign Tax Credit

File Form 1116 Foreign Tax Credit to claim the foreign tax credit if you are an individual, estate or trust, and you paid or accrued certain foreign taxes to a foreign country or U.S. possession. Corporations file Form 1118 to claim a foreign tax credit.

Compliance Issue

If a foreign tax redetermination occurs, a redetermination of your US tax liability is required in most situations. You must file a Form 1040X or Form 1120X. Failure to notify the IRS of a foreign tax redetermination can result in a failure to notify penalty.

- A foreign tax credit may not be claimed for taxes on excluded income.

Tax Tip 13

PAYMENTS & ESTIMATED TAX FOR 2012

Note: The IRS does not accept cash payments.
1. Check: All checks must be in U.S. dollars payable to the United States Treasury. You should print on the front of your check your Social Security Number or ITIN, tax return form number, and tax year.
2. Credit Card: You also may pay by credit card using any major credit card, including American Express®, Visa®, MasterCard®, and Discover®. For more information on paying your taxes by credit card, contact the following service providers:

Official Payments Corporation
+1 (800) 272-9829
www.officialpayments.com

LINK2GOV Corporation
+1 (888) 658-5465
www.PAY1040.com
Although the IRS does not charge a fee for credit card payments, most service providers do charge a convenience fee of 2%-3%.

3. Electronic Federal Tax Payment System (EFTPS): You may pay your federal taxes using the EFTPS system at www.eftps.gov. For details on how to enroll, visit www.eftps.gov or call EFTPS Customer Service at +1 (800) 316-6541.
4. Electronic Funds Withdrawal: You may authorize an electronic funds withdrawal from your U.S. checking or savings account using tax preparation software or professional tax preparers. If you select the electronic payment option, enter your financial institution's routing number, your account number and account type. Check your financial institution for the correct routing and account numbers.

ESTIMATED TAX PAYMENTS
Estimated tax payments should be accompanied by Form 1040-ES and mailed to the following address:
Internal Revenue Service
P.O. Box 1300
Charlotte, NC 28201-1300
USA

Tax Tip 14

LATE CHARGES, PENALTIES & INTEREST

If you do not file on time and owe tax, you will generally be assessed a late filing penalty of 5% of the tax owed for each month, or part of a month, that your return is late until the return is filed or a maximum 25% penalty is applied. If your return is over sixty days late, the minimum penalty for late filing is $135 or 100% of the tax owed, whichever is smaller.

If you file on time but do not pay all amounts due, you will generally have to pay a late payment penalty of 0.5% of the tax owed for each month, or part of a month, that the tax remains unpaid from the due date, until the tax is paid in full or a maximum 25% penalty is applied. The 0.5% rate decreases to 0.25% for any month in which an installment agreement is in effect but increases to 1% if tax remains unpaid ten days after the Internal Revenue Service issues a notice of intent to levy.

Furthermore, if you do not pay all amounts due on time, interest is compounded daily and charged on any unpaid tax from the due date of the return (without regard to any extension of time to file) until the date of payment. The rate of interest charged on late payments is subject to change. Beginning January 1, 2013, the interest rates will be:

- Three (3) percent for underpayments; and
- Three (3) percent for overpayments.

Tax Tip 15

EXTENSIONS TO FILE

Taxpayers generally must file a 2012 tax return by April 15, 2013.

U.S. citizens and residents with tax homes outside of the United States on April 15, 2013, however, are automatically granted a two-month extension to June 17, 2013 to file a tax return. Any tax due though must be paid by April 15, 2013 (or earlier if you are subject to estimated tax) in order to avoid penalties and interest.

To file a later return, taxpayers may request a filing extension to October 15, 2013 by filing Form 4868 before the normal return due date. Those taxpayers living abroad who need an extension to qualify for the bona fide residence test or physical presence test in order to be eligible for a foreign-earned income exclusion on Form 2555, however, should request a filing extension using Form 2350 by the normal due date of their return. Please note that any tax owing must be paid by April 15, 2013 (or earlier if subject to estimated tax) in order to avoid interest and penalties.

Tax Tip 16

PAYMENT PLANS, INSTALLMENT AGREEMENTS

You can make monthly payments through an installment agreement if you're not financially able to pay your tax debt immediately. However, you will reduce or eliminate the amount of penalties and interest you pay and avoid the fee associated with setting up an installment agreement if you pay your tax bill in full. Before you apply:

- File all required tax returns;
- Consider loans or credit cards to pay your tax debt in full in order to save money;
- Determine the largest monthly payment you can make ($25 minimum); and
- Know that your future refunds will be applied to your tax debt until it is paid in full.

Fees for setting up an installment agreement:

- $52 for a direct debit agreement;
- $105 for a standard agreement or payroll deduction agreement; or
- $43 if your income is below a certain level.

Apply for an installment agreement

- Apply online if you owe $50,000 or less in combined individual income tax, penalties and interest;
- Call the phone number on your bill or notice or, if overseas, (267)941-1000
- Complete and mail Form 9465-FS, Installment Agreement Request (PDF). If you owe more than $50,000, you will also need to complete Form 433-F, Collection Information Statement (PDF).

Understand your agreement, avoid default

To keep your account in good standing:

- Pay at least your minimum monthly payment when it's due (direct debit or payroll deductions make this easy);
- Include your name, address, SSN, daytime phone number, tax year and return type on your payment;
- File all required tax returns on time;
- Pay all taxes you owe in full and on time (contact us to change your existing agreement if you cannot);
- Continue to make all scheduled payments even if we apply your refund to your account balance

If you are in danger of defaulting on your payment agreement for any reason, contact the IRS immediately. The IRS will generally not take enforced collection actions:

- When an installment agreement is being considered;
- While an agreement is in effect;
- For 30 days after a request is rejected, or
- Whilst an appeal of a rejected or terminated agreement is being evaluated.

Tax Tip 17

IRS NOTICES

If you receive a letter or notice from the IRS, it will explain the reason for the contact and give you instruction on how to handle your problem. If you agree with the changes, there is no need to contact us. If you owe a balance, follow the instructions for sending your payment. If you do not agree, please respond as directed in your notice. You should allow at least 30 days for a response. If you are due a refund and owe no other debts that we are required to collect, you will receive the refund within 6 weeks of the notice date.

If we send you a second letter or notice requesting additional information or providing additional information to you, keep copies with your records.

If you made a payment for which you haven't been given credit, send a copy of the front and back of the check as proof of the payment. If payment was made by money order, you must obtain a copy of the front and back of the canceled money order from the place where the money order was purchased. Never send original documents.

If you contacted us about a lost or stolen refund check, the notice we sent you will tell you what action to take. If you receive a Notice CP-2000 please follow the detailed instructions contained in that notice.

If you make quarterly estimated tax payments, please review your computation. You may need to make changes to the amount of your payments based on the changes we made.

All notices should tell you where to send your reply.

Most correspondence can be handled without calling or visiting an IRS office, if you follow the instructions in the letter or notice. However, if you have questions, call the telephone number that is usually found in the upper right-hand corner of the notice. Have a copy of your tax return and the correspondence available when you call, so your account can be readily accessible.

You may also call the customer service center in Philadelphia at +1 (267) 941-1000.

Tax Tip 18

UNRESOLVED TAX MATTERS

If you have tried to resolve a tax problem but it has not been resolved in a timely manner or if an IRS action is causing you significant hardship, you should contact the International Taxpayer Advocate by:

Phone: +1 (877) 777-4778 or +1 (787) 622-8940

Fax: +1 (787) 622-8933

Mail: Internal Revenue Service
Attn: Taxpayer Advocate Office
San Patricio Office Building, Room 200
7 Tabonuco Street
Guaynabo, Puerto Rico 00966

For further information about the Taxpayer Advocate refer to Publication 1546, the Taxpayer Advocate Service of the IRS, or visit www.irs.gov/advocate.

Tax Tip 19

INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS (ITINS)

The IRS issues Individual Taxpayer Identification Numbers (ITINs) to foreign nationals and resident aliens who are required to have a U.S. taxpayer identification number for federal tax purposes but do not have and do not qualify for a Social Security Number. A person may request an ITIN by filing a Form W-7 with a certified copy of their passport and other required supplementary documentation (please see instructions for Form W-7 and IRS Publication 1915). If you are a US Citizen, your Tax I.D. is the same as your social security number. To apply for a social security number, contact the US Social Security Administration and get a copy of Form SS-5 from the internet.

Tax Tip 20

FOREIGN BANK ACCOUNT REPORT (FBAR)

American citizens and residents with a financial interest in, or signatory or other authority over any foreign financial accounts, including bank, securities, and other types of accounts, whose value exceeded $10,000 at any point during the year must (1) check the "yes" box on line 7a of Schedule B of Form 1040 for such year and also (2) file Form TD F 90-22.1 with the Department of the Treasury before June 30th of the following year (no extensions are allowed for this form). For more information, please follow this link:

http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Report-of-Foreign-Bank-and-Financial-Accounts-(FBAR)

Reporting of Foreign Bank Accounts (FBAR) can now be done Electronically at:

http://bsaefiling.fincen.treas.gov/Enroll_Individual.html

The IRS has launched the Report of Foreign Bank and Financial Accounts (FBAR Form TDF 90-22.1) Helpline to connect practitioners and filers, both domestic and abroad, with a team of specially trained
technicians, examiners, and specialists to answer technical questions:

http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Telephone-Numbers-for-FBAR-and-Title-31-Help
Or call: 001 (313) 234-6146

Tax Tip 21

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FACTA)

Some taxpayers will be required to file the Form 8938, Statement of Specified Foreign Financial Assets, with their 2012 income tax returns, when the total value of their specified foreign financial assets exceeds certain amounts. Specified foreign financial assets include foreign financial accounts and foreign financial investment assets not held in a domestic or foreign account. The Form 8938 filing requirement does not replace or otherwise affect a taxpayer's obligation to file an FBAR (see previous topic). For more information, please refer to the FATCA website at:

http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-(FATCA)

Tax Tip 22

ESTATE AND GIFT TAX

The unified credit equivalent is $1,500,000 (2004 - 2005), $2,000,000 (2006 - 2008), $3,500,000 (2009) and increases to $5,000,000 for decedents dying after December 31, 2009 and before January 1, 2013.

For Estate Tax returns after 12/31/1976, Line 4 of Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, (PDF) lists the cumulative amount of adjusted taxable gifts within the meaning of IRC section 2503. The computation of gift tax payable (Line 7 of Form 706) uses the IRC section 2001(c) rate schedule in effect as of the date of the decedent's death, rather than the actual amount of gift taxes paid with respect to the gifts. Top bracket tax rates decreased from 55 percent (in 2001) down to 35 percent (in 2010)

The annual exclusion for gifts is $11,000 (2004 - 2005), $12,000 (2006 - 2008), $13,000 (2009 - present). The applicable exclusion amount is increased to $5,000,000 for estates of decedents dying on or after December 31, 2009. The applicable exclusion amount for gifts made after December 31, 2009 is $1,000,000. For gifts made after December 31, 2010, the applicable exclusion amount is increased to $5,000,000.

Federal Transfer Certificates (International)

For more information about securing a transfer certificate, please see:

- Transfer Certificate Requirements for U.S. Citizens
- Transfer Certificates for Non-U.S. Citizens

Note: A change that will impact all filers is the elimination of the allowable State Death Tax Credit; for decedents dying in 2005 and later years, it is a deduction.

Note that the due date for filing a Form 706 for estates of decedents dying in 2010 is September 19, 2011. A draft of Form 706 (PDF) for decedent's dying in 2010 is available. Also, requests for filing an extension of time to file an estate or gift tax return must go to the Cincinnati Service Center, even if you file your income or other tax returns elsewhere.

Important information for Form 709

Time for filing clarification: Page 4 of the instructions for Form 709 states (Under When to File) that "...you must file the 2009 Form 709 on or after January 1...). It may not be clear, but this means that returns should not be filed until January 1 of the year following the year in which the gift is made. In other words, any gifts made in 2010 will not be due (and cannot be processed) until after December 31, 2010. Individuals who make certain qualifying gifts are required to file Form 709, United States Gift Tax Return.

Tax Tip 23

RECORDS RETENTION & COPIES OF RETURNS

Once your tax return is prepared, you should keep all receipts, cancelled checks or other proof of payment, and other records to support deductions or credits you claim on your return. The length of time you should keep these records can vary.

Keep items that support an item of income or deduction appearing on a return until the statute of limitations for the return expires, which is:

- Three years from the date you filed the return (or the return due date if you filed a return before the due date) for an assessment of tax, unless fraud or substantial underreporting of income is involved;

- Three years from the date you filed the return (or the return due date if you filed a return before the due date) for filing a claim for credit or refund; or

- Two years from the date you paid the tax, whichever is later.

Records relating to the basis in property should be retained until after you dispose of the property and report any gain or loss.

File Form 4506 to request copies of income tax returns and income source information. There is no cost to obtain tax return transcripts or income source information. There is a $57 fee per return, however, to obtain copies of actual returns and attachments. If the IRS cannot find a requested tax return, it will refund the fee.

Tax Tip 24

WHERE'S MY REFUND?

What to Expect for Refunds in 2013

The IRS issued more than 9 out of 10 refunds to taxpayers in less than 21 days last year. The same results are expected in 2013.

Even though the IRS issues most refunds in less than 21 days, it's possible your tax return may require additional review and take longer.

Use Where's My Refund? – at www.irs.gov to Check the Status of Your Refund.

Where's My Refund? has a new look for 2013! The tool will include a tracker that displays progress through 3 stages: (1) Return Received, (2) Refund Approved and (3) Refund Sent.

You will get personalized refund information based on the processing of your tax return. The tool will provide an actual refund date as soon as the IRS processes your tax return and approves your refund. Remember, most refunds will be issued in less than 21 days.

In 2013 you will be able to start checking on the status of your return sooner - within 24 hours after we have received your e-filed return or 4 weeks after you mail a paper return.